

## PROPOSED REGULATIONS

### §1.408-10. Investment in collectibles

(a) *In general.* —The acquisition by an individual retirement account or by an individually-directed account under a plan described in section 401(a) of any collectible shall be treated (for purposes of section 402 and 408) as a distribution from such account in an amount equal to the cost to such account of such collectible.

(b) *Collectible defined.* —For purposes of this section, the term “collectible” means —

- (1) Any work of art,
- (2) Any rug or antique,
- (3) Any metal or gem,
- (4) Any stamp or coin,
- (5) Any alcoholic beverage,
- (6) Any musical instrument,
- (7) Any historical objects (documents, clothes, etc.), or
- (8) Any other tangible personal property which the Commissioner determines is a “collectible” for purposes of this section.

(c) *Individually-directed account.* —For purposes of this section, the term “individually-directed account” means an account under a plan that provides for individual accounts and that has the effect of permitting a plan participant to invest or control the manner in which the account will be invested.

(d) *Acquisition.* —For purposes of this section, the term acquisition includes purchase, exchange, contribution, or any method by which an individual retirement account or individually-directed account may directly or indirectly acquire a collectible.

(e) *Cost.* —For purposes of this section, cost means fair market value.

(f) *Premature withdrawal penalty.* —The ten percent penalty described in section 72(m)(5) and 408(f)(1) shall apply in the case of a deemed distribution from an individual retirement account described in paragraph (a) of this section.

(g) *Amounts subsequently distributed.* —When a collectible is actually distributed from an individual retirement account or an individually-directed account, any amounts included in gross income because of this section shall not be included in gross income at the time when the collectible is actually distributed.

(h) *Effective date.* —This section applies to property acquired after December 31, 1981, in taxable years ending after such date.